

Official Record Copy
Office of Personnel

OP MEMORANDUM NO. 20-50-7

28 February 1984

OFFICE OF PERSONNEL MEMORANDUM

SUBJECT: Social Security Coverage for Federal Employees

1. Introduction

Public Law 98-21, the Social Security Amendments of 1983, extended Social Security coverage to most Federal employees hired on or after 1 January 1984. This memorandum provides general information on the Social Security and retirement impact on employees hired on or after 1 January 1984 and establishes Office of Personnel (OP) responsibilities for determining the proper coverage under Social Security and/or Federal retirement programs.

2. Social Security Coverage Status of Federal Civilian Employees

a. Beginning 1 January 1984, newly-hired Federal civilian employees are subject to full Social Security taxation. Prior to 1 January 1984, most Federal civilian employment was subject only to deductions for Medicare, the health insurance portion of the Social Security tax. These deductions began with wages paid in 1983. Federal employment covered by Social Security prior to 1984 and subject to full Social Security taxation was primarily the service of temporary or intermittent employees who were not covered by a Federal civilian retirement system.

b. A newly-hired Federal civilian employee is defined as an individual who has no prior Federal employment or an individual who has been hired after a separation of more than 365 days from Federal employment. An employee who moves from one agency to another is not considered newly-hired; nor is an employee who is converted to another or a different appointment within the same agency. For purposes of this provision, "Federal Employment" includes service as a member of the uniformed services on active duty.

c. Under the Social Security Act, annuitants (except retired members of the uniformed services) are not to be considered newly-hired employees even if it has been more than 365 days since they last worked for the Federal government. Services performed by reemployed Civil Service, Foreign Service, CIARDS, and other Federal civilian annuitants therefore would not be subject to the full Social Security tax. They would, however, be subject to the current 1.3 percent Medicare tax.

d. Retired members of the uniformed services are subject to the definition of a newly-hired employee for the purposes of determining Social Security coverage, i.e., such individuals are considered newly-hired employees if it has been more than 365 days since their retirement from the military. An individual who is both a reemployed Civil Service annuitant and a retired member of the uniformed service is considered a reemployed Civil Service annuitant and would not be subject to full Social Security tax. That individual would, however, be subject to the 1.3 percent Medicare tax. A person who terminates his or her Civil Service annuity upon reemployment by the Federal government is not considered a Civil Service annuitant and would be subject to the definition of a newly-hired employee for the purposes of determining Social Security coverage.

e. For Social Security taxation purposes, the "U.S." is the 50 states, the District of Columbia, Puerto Rico, Virgin Islands, Guam and American Samoa. Employment performed within the U.S. is covered under Social Security without regard to the citizenship or place of residence of the employee. Employment performed outside the U.S. is covered only if the employee is a U.S. citizen or, beginning 1 January 1984, a resident alien of the U.S. For this purpose, a "resident alien of the U.S." means an alien who is not now physically present in the United States but who nevertheless makes his/her home in the United States.

3. Retirement Coverage Status of Federal Civilian Employees

a. Newly-hired Federal employees will be covered by Social Security and the Civil Service Retirement System (CSRS) or other Federal retirement systems as appropriate. This dual coverage is part of the transitional retirement legislation enacted by Congress pending its development of a new retirement program to supplement Social Security. The Agency also is developing potential supplemental options for newly-hired Agency employees to be considered in conjunction with the Congressional studies.

b. Under the transitional legislation, newly-hired Federal employees entering on duty on or after 1 January 1984 will be required to contribute 5.4 percent of salary to Social Security (5.7% in 1985), 1.3 percent to Medicare, and a reduced rate of 1.3 percent to CSRS for a combined total of 8 percent of gross annual salary (8.3% in 1985). Social Security and Medicare withholdings are applied to a specific annual amount. In calendar year 1984 those withholdings will be applied to the first \$37,800 of gross annual salary.

c. Individuals not meeting the definition of a "newly-hired" employee will be covered in the same manner as Federal employees on duty prior to 1 January 1984. For those employees, withholdings will be 7 percent for retirement and 1.3 percent for Medicare for a total of 8.3 percent.

d. The new supplemental program is expected to be established by Congress prior to 1 January 1986 and will cover all new U.S. Government employees hired on or after 1 January 1984. It is intended that the supplemental retirement program, when combined with the benefits of the existing Social Security plan,

will provide a satisfactory overall level of income. However, because a final determination regarding the provisions of such a program probably will not be made until 1985, definitive information about the impact it will have on current or future employees cannot be provided at this time.

4. Examples

- a. Bill, a civilian employee of the Department of Defense resigned effective 15 November 1982. In June 1984 he was hired by the Central Intelligence Agency. Bill would be considered a "newly-hired" employee because his separation from Federal employment exceeded 365 days. He would therefore be subject to full Social Security taxation (6.7%); and, he would also contribute 1.3 percent to retirement.
- b. Jane, an employee of Central Intelligence Agency, went on maternity leave beginning January 1983. After using all her leave, she was placed on leave without pay until 15 November 1983, when she resigned. Jane was rehired by the Central Intelligence Agency on 1 November 1984. Jane is not considered a "newly-hired" employee because her break in service did not exceed 365 days. She would not be subject to full Social Security taxation. She would contribute 7 percent to retirement and 1.3 percent to Medicare.
- c. Bob was hired by the Central Intelligence Agency on 3 October 1983, on a temporary appointment. He was subject to full Social Security taxation and was not covered under the Civil Service Retirement System. On 22 April 1984, his appointment is converted to Excepted Appointment - Career. Bob will not be subject to full Social Security taxation because he is not a "newly-hired" employee. He would contribute 7 percent to retirement and 1.3 percent to Medicare.
- d. Mary, a Civil Service annuitant who retired 31 December 1978, is hired as a reemployed annuitant on 15 April 1984. Because annuitants are not to be considered "newly-hired" employees for purposes of Social Security, Mary would contribute only 1.3 percent to Medicare tax.

5. Responsibilities

The responsibility for determining the Social Security and retirement status and proper coding on the employment action for new employees will be made by the Employment Directorate of OP based on data provided at the time an employee enters on duty. Verification of that determination will be made by OP/Transaction and Records Branch in cases involving prior Federal service, once all pertinent records are received by the Agency.

6. Additional Information

Notification will be provided should there be any legislative changes to the provisions discussed in this memorandum.

Questions concerning Federal retirement programs and Social Security benefits should be referred to the Retirement Affairs Division, Special Programs, Office of Personnel on extension [redacted]

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Robert W. Magee
Director of Personnel

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